MULTIMEDIA UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

# FINAL EXAMINATION

**TRIMESTER 2, 2017 / 2018 SESSION**

## DEC5028 – MACROECONOMICS

(Diploma Students Only)

5 MARCH 2018
2.30 p.m. – 4.30 p.m.
(2 Hours)

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**INSTRUCTIONS TO STUDENT**

1. This question paper consists of **9** pages with 3 sections.
2. Attempt all questions in Section A, B and C.
3. Answers for section A and B should be shaded on the OMR sheet provided.
4. For section C, please write your answers in the answer booklet provided.

## SECTION A: MULTIPLE CHOICE QUESTIONS

**Each question consists of 1.5 marks. Answers for this section should be shaded on the OMR sheet provided.**

1. Bantuan Rakyat 1Malaysia (BR1M) is an example of _____.

   A. macroeconomics
   B. Gross Domestic Product (GDP)
   C. transfer payment
   D. aggregate output

2. A(n) _____ in the overall price level is known as _____.

   A. increase; net income
   B. increase; recession
   C. decrease; deflation
   D. decrease; inflation

***Referred to Table 1 to answer Question 3 and 4:***

| Item | Quantity | Price | |
|---|---|---|---|
| | | Year 2016 | Year 2017 |
| Orange | 10 bags | RM11 per bag | RM9 per bag |
| Apple | 15 bags | RM6 per bag | RM10 per bag |

*Table 1*

3. Refer to Table 1, the total cost of basket of goods in 2016 was _____.

   A. RM200
   B. RM210
   C. RM240
   D. RM245

4. Refer to Table 1, if 2016 is the base year, then the CPI for 2017 was _____.

   A. 83.3
   B. 100
   C. 120
   D. 200

**Continued...**

5. If the consumption function is C = 120 + 0.3Y, the MPS will be _____.

A. 0.3
B. 0.4
C. 0.7
D. 0.8

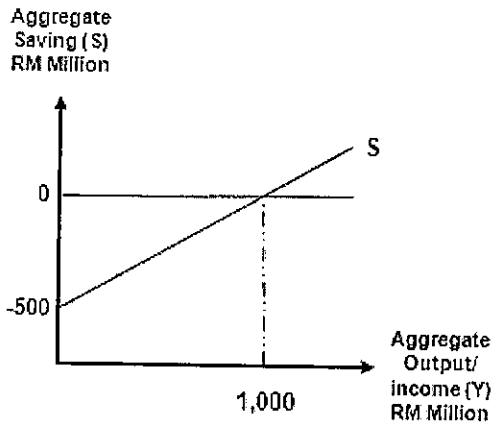


*Figure 1*

6. Refer to Figure 1, the marginal propensity to save (MPS) is _____ and marginal propensity to consume (MPC) is _____.

A. 0.30; 0.70
B. 0.40; 0.60
C. 0.50; 0.50
D. 0.60; 0.40

7. Refer to Figure 1, the savings function is _____.

A. S = -300 + 0.30Y
B. S = 300 + 0.30Y
C. S = 500 + 0.50Y
D. S = -500 + 0.50Y

8. Given multiplier is 10, the MPC is _____.

A. 0.10
B. 0.80
C. 0.90
D. 0.25

**Continued...**

9. If the government spending multiplier is 4 and government spending decreases by RM150 million, output will _____ by _____.

   A. increase; RM150 million
   B. decrease; RM600 million
   C. increase; RM600 million
   D. decrease; RM300 million

10. Fiscal policy is also known as _____.

   A. monetary policy
   B. budget policy
   C. controlling policy
   D. inflation policy

***Referred to Table 2 to answer Question 11 to 13:***

| RM million | | | | |
|---|---|---|---|---|
| **Aggregate Output (Income)** | **Aggregate Consumption** | **Taxes** | **Planned Investment** | **Government Expenditures** |
| 800 | 600 | 150 | 300 | 200 |
| 1,200 | 800 | 150 | 300 | 200 |
| 1,600 | 1,000 | 150 | 300 | 200 |
| 2,000 | 1,500 | 150 | 300 | 200 |
| 2,400 | 1,800 | 150 | 300 | 200 |

***Table 2***

11. Refer to Table 2, at the aggregate output level of RM1,600 million, the level of aggregate expenditures is _____.

   A. RM1,000 million
   B. RM1,200 million
   C. RM1,500 million
   D. RM1,650 million

12. Refer to Table 2, at the aggregate output level of RM2,400 million, there is a _____.

   A. unplanned inventory increases by RM100 million
   B. unplanned inventory decreases by RM100 million
   C. unplanned inventory increases by RM400 million
   D. no changes in unplanned inventory

**Continued...**

13. Refer to Table 2, the equilibrium level of output is _____.

A. RM1,200 million
B. RM1,600 million
C. RM2,000 million
D. RM2,400 million

14. Suppose the required reserve ratio is 10%. A RM25,000 cash deposit will, at most, allow an expansion of the money supply to _____.

A. RM27,500
B. RM75,000
C. RM200,000
D. RM250,000

15. If the money multiplier is 4, the required reserve ratio is _____.

A. 2%
B. 4%
C. 10%
D. 25%

16. _____ is **NOT** money because it serves as a temporary medium of exchange but not store of a value and not accepted universally.

A. Stock
B. Credit card
C. Fixed deposit
D. Coin

17. Which of the followings is **NOT** one of the local commercial banks in Malaysia?

A. Public Bank
B. Maybank
C. CIMB Bank
D. OCBC Bank

18. _____ happens when people hold banknotes rather than deposit it with a commercial bank.

A. Currency depreciation
B. Barter
C. Currency drain
D. Economy growth

**Continued...**

19. _____ is an institution designed to oversee the banking system and regulate the quantity of money in the economy.

A. Central bank
B. Commercial bank
C. Ministry of Finance
D. Ministry of Treasury

20. Suppose yesterday's newspaper headline was "Ringgit seen appreciating by next month". Based on the statement, which of the following best describe the changes of demand of Ringgit Malaysia (MYR) now?

A. The demand of MYR will remain unchanged.
B. The demand of MYR will be decreased.
C. The demand of MYR will be increased.
D. The demand of MYR is depending on the supply of MYR.

**[TOTAL 30 MARKS]**

**Continued...**

## SECTION B: TRUE/FALSE QUESTIONS

**Each question consists of 1 mark. Answers for this section should be shaded on the OMR sheet provided.**

**Mark "A" for true statement and "B" for false statement.**

21. Deflation can be defined as a situation where there is a continuous increase in general price level over time.

22. The aggregate demand curve shows a positive relationship between the price level and aggregate output demanded.

23. An increase in money wage rate is one of the sources that caused demand-pull inflation.

24. An advance in technology is one of the factors that caused potential GDP to change.

25. A rise in the expected inflation rate makes buying goods cheaper today and increases aggregate demand.

26. The money market is the market in which the currency of one country is exchanged for the currency of another.

27. Amran is a Malaysian, when Amran demand for Singapore Dollars, Amran also supplied Singapore Dollars.

28. When a country's exports of goods are greater than its imports of goods in a given period, it has a trade deficit.

29. Current account records of a country's transactions in goods, services, and assets with the rest of the world.

30. The official settlements account records the change in official reserves.

**[TOTAL 10 MARKS]**

**Continued...**

## SECTION C: STRUCTURED QUESTIONS

**Answers for this section should be written in the answer booklet provided.**

## QUESTION 1

**"Perodua aims to sell 80,000 new Myvis in 2018"**

"KOTA BARU: Perusahaan Otomobil Kedua Sdn Bhd (Perodua) has targeted sales of between 75,000 and 80,000 units of the all-new Myvi in 2018, said Perodua Auto Corporation Sdn Bhd deputy president, Datuk Zainal Abidin Ahmad. He said Perodua had received bookings for 8,000 units for all five variants of the new Myvi up to Nov 9, 2017. Some 80 per cent of the bookings were for the 1.5 cc model, he said. "Up to year-end, we are targeting sales of between 15,000 and 16,000 (units of Myvi) nationwide," he said to reporters at the car showcase in conjunction with Ministry of International Trade and Industry (MITI) Day 2017 here today...."

*Source: 19th November 2017, News Straits Times, "Perodua aims to sell 80,000 Myvis in 2018"*

a) Based on the article,

i. State if the above activity should be "included" or "excluded" from the calculation of Malaysia's GDP. Explain. (3 marks)

ii. If the targeted sales have achieved, which of the GDP's components would be affected? Why? (3 marks)

iii. If the targeted 80,000 new Myvi were successfully manufactured in December 2017 and sold in 2018, in which year of Malaysia's GDP should these Myvi be counted? (2 marks)

b) Given national income RM898 million, personal income RM240 million and personal taxes RM38 million, compute disposable income. (2 marks)

c) List **FOUR (4)** main components in an economy. (4 marks)

d) Explain **THREE (3)** market arena. (6 marks)

**[TOTAL 20 MARKS]**

**Continued...**

## QUESTION 2

*"A country can only be said to achieve full employment when it has zero unemployment rate."*

a) Do you agree with the above statement? Justify your answer. (3 marks)

b) Explain **THREE (3)** types of unemployment with an example for each. (9 marks)

| Item | Amount |
|---|---|
| Under age of 16 | 92.3 million people |
| Working age population | 226.2 million people |
| Employment | 137.7 million people |
| Labor Force | 153 million people |

***Table 3***

c) Based on the information from Table 3, compute:

i. Unemployment rate (2 marks)

ii. Labor force participation rate (2 marks)

iii. Total number of people not in labor force (2 marks)

iv. Overall population for the country (2 marks)

**NOTE:** Please write your answer in two (2) decimal points (if any).

**[TOTAL 20 MARKS]**

**Continued...**

## QUESTION 3

| Year | Quantity of Labor **L** | Quantity of Capital **K** | Total Output **Y** | Labor Productivity **Y/L** | Growth Rate of Output |
|---|---|---|---|---|---|
| 2014 | 1,052 | 3,065 | 4,506 | i. | - |
| 2015 | 1,062 | 3,371 | 4,683 | ii. | v. |
| 2016 | 1,073 | 3,709 | 4,866 | iii. | vi. |
| 2017 | 1,084 | 4,079 | 5,055 | iv. | vii. |

***Table 4***

a) Based on the information from Table 4, compute the labor productivity and growth rate of output. (7 marks)

**NOTE:** Please write your answer in two (2) decimal points (if any).

b) List **THREE (3)** factors that affect labor productivity growth. (3 marks)

c) Explain how do each of the following situation relate and affect the economic growth of a country. (10 marks)

i. Individuals invest themselves by furthering study for higher education level.

ii. Companies provides on-the-job training to all employees.

iii. The country's corruption rate is getting higher as compared to previous years.

iv. Government introduced vocational and technical training to unemployed graduates.

v. An innovation of new machine was created in the country.

**[TOTAL 20 MARKS]**

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